

**BEFORE THE TENNESSEE REGULATORY AUTHORITY**

**NASHVILLE, TENNESSEE**

**November 14, 2001**

**IN RE:**

**CHATTANOOGA GAS COMPANY WEATHER  
NORMALIZATION ADJUSTMENT AUDIT**

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**DOCKET NO. 01-00591**

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**ORDER ADOPTING WNA AUDIT REPORT OF THE ENERGY AND WATER  
DIVISION OF THE TENNESSEE REGULATORY AUTHORITY**

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This matter came before the Tennessee Regulatory Authority (the "Authority") at a regularly scheduled Authority Conference held on August 21, 2001, for the consideration of the audit findings of the Authority's Energy and Water Division (the "Staff") after review of Chattanooga Gas Company's ("CGC") Weather Normalization Adjustment (WNA) for the period November 1, 2000, through April 30, 2001. The WNA Audit Report, attached hereto as Exhibit A, and incorporated in this Order by this reference, contains the audit findings of the Staff, the responses thereto of CGC, and the recommendations of the Staff in addressing its findings.

The Audit Report states that CGC refunded \$45,684 and \$81,769 to its residential and commercial customers respectively during the audit period. The Audit Report further states that the Staff's audit shows an under-collection from CGC's customers of \$66,159, the effect of which is to reduce CGC's refund by \$19,685 for residential and \$46,474 for commercial customers. The Audit Report states that CGC has proposed to recover this

amount through its annual Actual Cost Adjustment filing and Staff concurs that this is an acceptable method.

The Audit Report contains three specific findings. The first is that the billing of the WNA adjustments did not begin the first cycle in November as prescribed by CGC's WNA Adjustment Rider. With respect to this finding, the Audit Report recommends that CGC address its internal control to ensure that the WNA begins at the appropriate time. The second finding is that CGC used inaccurate actual heating days in the calculation of the WNA factor. The third finding is that the actual heating degree days for some bill groups did not agree with the actual heating days filed by CGC. With respect to this finding, the Audit Report states:

While the net dollar value of this finding is not material, the number of billing cycles affected by the Company is material and has the potential of generating material dollar findings. We recommend that the Company increase internal control over this area, to be sure that the actual degree days that the Company obtains from NOAA and reports to the TRA is in fact the actual degree days that are entered into the Company's computer system.<sup>1</sup>

After consideration of the WNA Audit Report, the Authority unanimously approved the findings and recommendations contained therein.<sup>2</sup>

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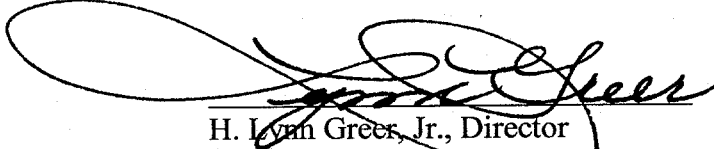
<sup>1</sup> Compliance Audit Report of Chattanooga Gas Company Weather Normalization Adjustment (WNA) Rider, Docket No. 01-00591 (August 8, 2001), p. 9.

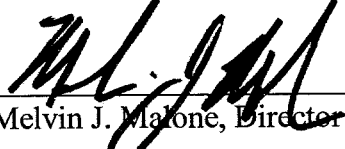
<sup>2</sup> At the August 21, 2001 Authority Conference, Director Greer stated, "I'll second the motion and just make a comment that I recognize that the WNA process is complex. It's subject to human error, but I do urge the company to continue to improve its internal controls and communications. I don't expect implementation of such reasonable improvements to be costly to the company, and I think they ought to move as expeditiously as possible in correcting these problems." Transcript of Authority Conference, August 21, 2001, p. 9.

**IT IS THEREFORE ORDERED THAT:**

1. The WNA Audit Report, a copy of which is attached to this Order as Exhibit A, is approved and adopted, including the findings and recommendations contained therein, and is incorporated in this Order as if fully rewritten herein; and
2. Any party aggrieved by the Authority's decision in this matter may file a Petition for Reconsideration with the Authority within fifteen (15) days from the date of this Order.

  
Sara Kyle, Chairman

  
H. Lynn Greer, Jr., Director

  
Melvin J. Malone, Director

ATTEST:

  
K. David Waddell, Executive Secretary